

**BILL #** HB 2455

**TITLE:** ASRS; termination option

**SPONSOR:** Huppenthal

**STATUS:** As Amended by the House Government &  
Retirement Committee

**REQUESTED BY:** House

**PREPARED BY:** Timothy Sweeney

	<b>FISCAL YEAR</b>		
	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>EXPENDITURES</b>			
General Fund	\$-0-	\$-0-	\$-0-
Other Appropriated Funds	-0-	-0-	-0-
Total	\$-0-	\$-0-	\$-0-

## **FISCAL ANALYSIS**

### **Description**

HB 2455 makes several changes to the modified Deferred Retirement Option Program (DROP) that currently exists in the Arizona State Retirement System (ASRS). Currently, employers are allowed to offer a termination option to active members eligible for normal retirement. This program allows a member to work up to an additional 36 months, allows these members to purchase this time by contributing to a Defined Contribution (DC) plan, and then grants the member additional credited service based on the length of their DROP agreement. HB 2455 states that only members with at least 5 years of service are eligible for this program, and that the DROP period must be at least 6 months. In addition, this bill clarifies that members entering this DROP program must continue to pay contributions for the Long-Term Disability (LTD) program. The bill also states that a member's current annual compensation be used in determining the cost of purchasing credited service. Finally, the bill grants that if the member is unable to complete the terms of the DROP agreement due to permanent disability or death, the member or member's beneficiary would receive the credited for the period of the agreement that was completed.

### **Estimated Impact**

Actuaries under contract the ASRS estimate that the changes included in HB 2455 will have no cost impact on the ASRS contribution rates. The changes proposed by HB 2455 do not grant additional benefits, but rather further define the modified DROP program currently offered. Therefore, no cost impact is estimated for this bill.

### **Local Government Impact**

None.